

# WHY CHOOSE AN ANNUITY OVER A LUMP SUM OPTION? PART 1



**The number of retirees in the United States has skyrocketed recently.** According to the Pew Research Center, for the last 11 years the retired population has typically grown by about one million individuals per year. In the year 2020, when the pandemic was in its prime, the number of retirees rose significantly and at an unprecedented rate. More than three million people were reported to have retired, a stark difference from the average one million per year rate. Many of the individuals who retired were likely pushed to do so before they were ready due to the circumstances.<sup>1</sup>

A study revealed the realities many retirees are living through after having chosen to receive their retirement income by either lump sum or through an annuity. Among retirees who took the annuity, nine in 10 say their budget is more predictable, they are better off financially, they feel more financially secure, and it's easier to pay for basic necessities, among other positive attributes.<sup>2</sup> Unfortunately, those who took the lump sum reported having depleted it much more quickly than they had anticipated, leaving them with no safety net apart from the monthly social security check.<sup>2</sup>

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Whether the pandemic-induced increase in retirements among older adults will be temporary or longer-lasting remains to be seen, but one thing is certain: retirees will only be able to remain in retirement if they have a retirement “paycheck” or they can make their proverbial “pot of gold” last.

So, the question remains: **How can we help mitigate the issue of millions of retirees using up all or most of their retirement savings?** The answer is simple, and the research is there to back it up. **Annuities.** Thankfully, at American National, there are several types of annuities to choose from to help clients utilize their money in a cost-efficient manner throughout their retirement should they choose to do so. Whether that’s through an indexed, fixed, or immediate annuity. Annuities can help lessen the headache of having to figure out how to navigate a bulk of their life savings with a lump sum amount of money, and more importantly, can provide a stable stream of income that will not be exhausted quickly.

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1) Amid the pandemic, a rising share of older U.S. adults are now retired, Pew Research Center, November 2021. 2) 2022 Paycheck or Pot of Gold Study, MetLife, 2022.

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